

Overview of RECLAIM

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RECLAIM

- RECLAIM = the Regional Clean Air Incentives Market
- Two programs
 - NO_x (oxides of nitrogen)
 - SO_x (sulfur oxides)
- Emissions now part of the 'bottom line'

Background

- 4 years in development, adopted 1993
- California's 1st cap-and-trade air pollution program
- Significant departure from command-and-control approach
- Positive outcomes sought:
 - Cap and declining balances to secure emission reductions
 - Lower compliance costs, increased flexibility
 - Better emissions accountability

Design Criteria – Compared to 1991 AQMP

- Equal or better enforcement
- Equal or better emission reductions (air quality improvements)
- Equal or lower implementation costs
- Equal or lower job impacts
- No adverse public health impacts

Program Basics

- Multi-industry, over 300 hundred facilities
- Designed to match rules and control measures in the 1991 AQMP
- Facility-specific rates of reduction until 2000, then equal percentage of reductions
- Annual credits, no banking
- 2 cycle system
- Enhanced MRR, missing data provisions
- Facility permits
- Program assessments

Program Participants

- NOx program
 - Initially 390 facilities
 - 6 percent of facilities
 - 65 percent of permitted emissions
- SOx program
 - Initially 41 facilities
 - 4 percent of facilities
 - 85 percent of permitted emissions

Annual Cap and Declining Balance

- Each facility chose peak year for start and year 2000 allocations
- Each facility had a unique rate of reduction until 2000, then all facilities had equal percent reduction
- Credits (RTCs) valid for one year, with 60-day reconciliation period – no banking
- Quarterly true-up of emissions and credits

Allocations

- Very controversial and difficult
- Many concepts explored – pros and cons with any method
- Early years had allocations >> actual emissions
- “Cross-over points” (approximately 2000) converged with California power crisis
- Required rule changes and major intervention to market and control requirements

Market Design

- AQMD not active in market
- Register trades – official record
- Provide information
- Monitor prices and trends
- Market has evolved over the last 12 years

Lessons Learned

- ✓ Engage all stakeholders, design the program so all segments perceive positive outcomes
- ✓ Significant resources and coordination are needed for design and implementation
- ✓ Allocations are one of the most challenging design areas

Lessons Learned, cont.

- ✓ Accurate emission information is critical to ensure that reductions occur and trades are real
- ✓ New requirements require staff training and new approaches, such as new penalties defined
- ✓ Planning by program participants is crucial
- ✓ Other programs must have adequate resources and attention